15 May 2019

Aston Martin Lagonda Global Holdings plc

First quarter results for the three months to 31 March 2019

Strong Chinese and US demand drives revenues; Operating cost growth supporting new products continues; DBX on track; FY in line with consensus

£m	Q1 2019	Q1 2018	*% change*
Total wholesale units[1]	**1,057**	**963**	***10%***
Revenue	196.0	185.4	*6%*
Adj. EBITDA[2]	**28.3**	**43.7**	***(35%)***
Adj. operating (loss) / profit[2]	**(2.2)**	**22.0**	***n.m.***
Operating (loss) / profit	**(3.2)**	**22.0**	***n.m.***
(Loss) / profit before tax	(17.3)	2.8	*n.m.*

[1] Number of vehicles including specials; [2] For definition of alternative performance measures please see Appendix page 7

Revenues up 6% at £196m in seasonally small quarter; Adjusted EBITDA of £28m down year-on-year, driven by planned higher costs supporting product expansion

- Wholesale units up 10%, driven by continued strong demand in APAC (+30%) and Americas (+20%), offsetting softness in the UK (-9%) and Europe (-4%); Core units up 12%
- Retail units up 39% year-on-year; Dealer stock returning to more normalised levels following late December deliveries
- Gross Profit at £83m in line with 2018 Q1; margin 2% lower at 42% on higher mix of Vantage, fewer Specials and improved retail lease offer
- Adjusted operating loss of £2m as Gross Profit offset by planned SG&A increases
- SG&A driven by expanded range of core models, increased sales and marketing costs supporting new products and expansion in preparation for DBX
- Net cash from operations up £37m including substantial receivables unwind, as expected. Net debt at £590m and leverage of 2.6x last 12 months (LTM) adjusted EBITDA
- Deliveries significantly weighted towards second half and Q4 with normal core car phasing expected and high concentration of Specials in Q4
- Profit bias towards second half also supported by lower fixed cost run rate as marketing intensity falls and efficiencies are delivered
- On track with overall plans, guidance unchanged, expect to deliver full year in line with consensus

Product expansion continues

- DBS Superleggera Volante deliveries in Q3 and Vantage AMR in Q4; improved leasing offer for Vantage performing well particularly in US
- DB4 GT Zagato Continuation build is underway for Q4 deliveries, the initial prototype build of the Aston Martin Valkyrie has commenced and development of the Rapide E continues at pace, with dynamic reveal at Monaco ePrix last week
- Development of DBX, Aston Martin's first SUV, is on track; First Production Trial commenced 15 April and testing programme continues; Positive response from early customer clinics
- Mid-engine AM-RB 003 and Vanquish vision concepts unveiled to acclaim at Geneva Motor Show, along with zero-emission Lagonda All-Terrain concept

"Despite declining total industry volumes, Aston Martin Lagonda has delivered a sales increase that reaffirms its position as a luxury marque that offers some resilience to these wider automotive trends. Our Q1 results, yielding a 12% increase in core car wholesales and a 39% increase in global retail sales, demonstrates both this resilience and the demand-led approach of our business model. Moreover, the retail growth in the Americas, which almost doubled is encouraging as it vindicates our focus on and effort in this important region.

This overall sales success across the range has allowed us to rebalance the excess dealer inventory from last year's supplier issues, and we see more normal stock levels prevailing for the rest of 2019.

Our preparations for the DBX are unchanged and on track. First Production Trials began exactly on-time and remain on plan. The three concepts we revealed at Geneva elicited a positive response from customers and media alike. AM-RB 003, for which we will sell 500 coupes at around £1m each, is over-subscribed and we now have the task of allocating to our customers from an ever-growing list.

We remain conscious of the challenging external environment in certain of our markets and we have taken this into account in our planning whilst ensuring we do not compromise on delivery. Our guidance is unchanged. We expect our normal H2 seasonality to be amplified by Specials which are heavily weighted to Q4 this year. We are putting all the right building blocks in place as we look towards 2020 with the first sales of the DBX, investing in a disciplined manner, and controlling costs, to ensure the continuing, successful execution of the Second Century Plan."

Dr Andy Palmer, Aston Martin Lagonda President and Group CEO

The financial information contained herein is unaudited.

All metrics and commentary in this announcement exclude adjusting items unless stated otherwise and certain financial data within this announcement have been rounded.

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- There will be a call for investors and analysts today at 09:00am
- The conference call can be accessed live via a dial-in facility on +44 3333000804; PIN: 60947599#, please find more details on the corporate website https://www.astonmartinlagonda.com/investors/calendar
- A replay facility will be available on the website later in the day
- Interim Results for the six months to 30 June 2019 will be announced on 31 July 2019

Q1 REVIEW

In the three months ended March 31, 2019, Aston Martin Lagonda continued to execute on its Second Century Plan to position the Company for long-term sustainable growth with an expanded product range and increased manufacturing footprint.

The ongoing product offensive saw scale production of the Company's three current core models – the DB11, Vantage and DBS Superleggera. Although the first quarter is seasonally small, demand continued to be strong in key markets such as the US and China.

During the quarter, the Company also unveiled concepts at the Geneva Motor Show for the next two cars as part of the Second Century Plan, namely:

- A new mid-engined supercar, the Vanquish, the fifth core car planned to start production in Gaydon in 2022
- The Lagonda All-Terrain, the sixth new car in the plan, which will be the relaunch model for Lagonda, planned to be the world's first luxury brand exclusively driven by zero emission powertrain technologies.

The Aston Martin Valkyrie was also shown at Geneva and the initial prototype build has commenced. There is an extensive programme of dynamic events planned over the summer, with a dedicated period of testing building into the final stages of the year. With the first delivery planned for later this year, a progressive ramp-up will see deliveries building towards run rate maturity from Q2 2020.

The facilitisation of the new factory in St Athan is now almost complete and first production trials of the DBX, Aston Martin Lagonda's first sports utility vehicle, commenced as planned on 15 April ahead of full production scheduled to start in the first half of 2020. Testing of the DBX is well progressed with activity in multiple locations including cold weather extremes in Sweden, sound and cooling tuning at Silverstone and brakes and slip control at Nürburgring to advance towards production. The DBX is also being tested in customer clinics with extremely encouraging responses, including favourable comparisons to competitor products and high scores for design, dynamics and utility. We will start building the order book from September ahead of the global launch in December.

Income statement

First quarter revenues grew 6% year-on-year to £196m (Q1 2018: £185m), reflecting modest growth from vehicle sales, with unit growth offset by a lower Average Selling Price (ASP) in line with model cycle and the planned lower Specials mix in the three-month period. Revenues also benefited from increasing sales of parts and servicing, reflecting the growth in retail sales in recent years, and income from Brands and Motorsport, driven by GT3 and GT4 race car sales.

Unit sales of core cars, excluding specials, rose 12% for the period, and total wholesales unit growth was 10%. Regionally, wholesales in APAC up 30% (China up 29%) and the Americas up 20% continue to outperform. This was offset by continuing softer trends in the UK and Europe. This performance reflects the higher than usual dealer inventory levels at the start of the year, particularly in the UK and Europe given the late December deliveries due to fourth quarter supply chain disruption. With retail units (+39%) significantly ahead of wholesales, this inventory position has substantially unwound returning towards more normal inventory levels as we move forward.

Total ASP was £160k (Q1 2018: £177k) with fewer specials than the prior year, 32 compared with 48, and reflecting an ASP on core models of £149k (Q1 2018: £160k). Core model mix shifted year-on-year towards V8 variants with the launch of the new Vantage and DB11 V8. However, the core ASP rose sequentially from the fourth quarter with strong sales of the DBS Superleggera, positive geographic mix and higher personalisation and option uptake rates.

Gross profit was stable at £83m with a gross margin of 42.1% (Q1 2018: £82m; 44.4%), impacted by the reduction in the number of specials compared to the prior year in addition to the core model mix reducing ASP year-on-year. Total adjusted operating expenses increased 41% year-on-year to £85m, in-line with the second half 2018 run rate, reflecting higher depreciation and amortisation (also up 41% year-on-year to £31m), investment in DBX and new facilities at St Athan, bolstered marketing spend across existing and recently launched products, investment to de-risk the supply chain, increased headcount to support unit growth, and PLC related costs.

Adjusted EBITDA was £28m, representing a margin of 14.4% (Q1 2018: £44m; 23.6%) including a £5m exchange benefit, primarily due to USD:Sterling movements, and a £3m benefit from the first-time adoption of IFRS 16. Depreciation and amortisation of £31m (Q1 2018: £22m), including a £3m IFRS 16 charge, led to an adjusted operating loss of £2m (Q1 2018: £22m profit). Adjusting items of £1m relate to pre-IPO long-term employee incentives, as detailed previously – these are expected to total £4m for the full year and have no cash impact.

Net financing costs of £14m were down from £19m in the prior year reflecting the conversion of Preference Shares to Ordinary Shares at IPO. This resulted in a loss before tax of £17m (Q1 2018: £3m profit). The effective tax rate for the year is estimated to be c.21%[1] which is the rate that has been applied in the quarter. With 228m shares in issue, adjusted diluted EPS was (5.7)p (diluted EPS (6.1)p).

Cash flow and net debt

Net cash inflow from operating activities was £47m, driven primarily by working capital with a £64m receivables inflow reflecting the partial unwinding of the c.£90m associated with supply chain delays during Q4 2018. An inventory outflow of £56m, as we rebuilt inventory reflecting the manufacturing run rate, included c.£5m of additional stock held in anticipation of the United Kingdom's expected departure from the European Union at the end of March. Capital Expenditure was £78m, £10m lower than the prior year primarily due to the timing of product launches and R&D spending on new programmes, with spend expected to be more H2 weighted. Cash at 31 March 2019 was £128m (31 December 2018: £145m).

[1] It is currently anticipated that this rate will apply for the year providing there are no significant changes in legislation and provided the geographical contribution to group results stays broadly the same.

Net debt of £590m[2] was up from £560m at 31 December 2018, but down £165m from £754m at 31 March 2018 primarily due to Preference Share conversion at IPO. Adjusted leverage[3] of 2.6x LTM adjusted EBITDA was up from 2.3x (or 2.1x adjusted for IPO and other one-off cash adjustments) at end December 2018.

A private placement of $190m on 1 April 2019 of 6.5% senior secured notes due April 2022 supports flexibility in the investment in portfolio expansion through Phase 3 of the Second Century Plan and underpins resilience and a more robust funding position.

Outlook

There is no change to our FY 2019 guidance; the Company expects full-year results to be in-line with current market expectations.

As anticipated, the Company expects adjusted profit in the first half to be lower year-on-year reflecting three factors – the one-off £20m of other income in the first half of 2018 will not be repeated; a continued and planned investment in fixed costs, as seen in the first quarter; and the delivery of fewer Specials year-on-year, primarily to support the Aston Martin Valkyrie prototype build and ramp-up and the development of products for inclusion in latest instalment of the Bond franchise.

The second half will be the major driver of profitability given the significant weighting of Specials in the fourth quarter. We also expect demand for core cars to follow a similar profile to prior years, with the fourth quarter expected to be our largest by units. Both of these factors, in addition to a planned lower fixed cost run rate, benefitting from seasonality of motor show and motorsport spend, operational efficiencies and a lower intensity of spend supporting new products, will drive a higher concentration of profits into the second half and notably the fourth quarter.

Interest expense at £63m reflects the coupon on the recently issued $190m Senior Secured Notes and Capex is now expected to be at the lower end of the previously communicated range (c.£320m-£340m).

[2] Net debt including £112m lease liabilities as per IFRS 16 first time adoption was £702m

[3] LTM adjusted EBITDA excludes the £3m benefit from first time adoption of IFRS 16 in Q1 2019

APPENDICES

Wholesale units by region

	Q1 2019	Q1 2018	*Change*
UK	235	259	*(9%)*
Americas	250	208	*20%*
EMEA ex. UK	211	219	*(4%)*
APAC	361	277	*30%*
Total	**1,057**	**963**	***10%***

Note: Includes specials

Summary Income Statement

£m	Q1 2019	Q1 2018
Revenue	**196.0**	**185.4**
Cost of sales	(113.4)	(103.1)
Gross profit	**82.6**	**82.3**
Gross margin	*42.1%*	*44.4%*
Operating expenses[1]	(84.8)	(60.3)
of which depreciation & amortisation	*30.5*	*21.7*
Adj. operating (loss) / profit	**(2.2)**	**22.0**
Adj. operating profit margin	*(1.1%)*	*11.9%*
Adjusting operating items	(1.0)	-
Operating (loss) / profit	**(3.2)**	**22.0**
Net financing expense	(14.1)	(19.2)
(Loss) / profit before tax	**(17.3)**	**2.8**
Taxation	3.4	(0.8)
(Loss) / profit after tax	**(13.9)**	**2.0**
Adj. EBITDA	**28.3**	**43.7**
Adj. EBITDA margin	*14.4%*	*23.6%*
Adj. (loss) / profit before tax	**(16.3)**	**2.8**
EPS (pence) [2]	(6.1)	0.2
Adj. EPS (pence) [2]	**(5.7)**	**0.2**

[1] *Excludes adjusting items* [2] *EPS is presented on a diluted basis*

Summary Cash Flow

£m	Q1 2019	Q1 2018
Cash generated from operating activities	46.6	10.0
Cash used in investing activities	(76.3)	(87.2)
Cash inflow from financing activities	14.6	6.9
Effect of exchange rates on cash and cash equivalents	(1.7)	(1.8)
Net cash outflow	(16.8)	(72.1)
Cash balance	**127.8**	**95.7**

Net Debt Overview

£m	31-Mar-19	31-Dec-18	31-Mar-18
Senior Secured Notes	584.3	590.9	560.1
Unsecured loans	1.4	1.4	1.3
Bank loans and overdrafts	131.7	111.8	22.9
Preference shares	-	-	265.7
Gross Debt	**717.4**	**704.1**	**850.0**
Cash balance	127.8	144.6	95.7
Net debt[1]	**589.6**	**559.5**	**754.3**
Preference share adjustment[2]	-	-	(265.7)
Net debt adjusted for preference shares	**589.6**	**559.5**	**488.6**
Adj. leverage	2.6x	2.3x	2.4x

[1] Excluding first time adoption of IFRS 16 lease liabilities (£112m); [2] Preference shares, which were converted into ordinary shares at IPO, are included in borrowings in 2018

Summary Balance Sheet

£m	31-Mar-19	31-Dec-18	31-Mar-18
Non-current assets	1,645.4	1,509.6	1,286.0
Current assets	524.6	551.6	399.4
Total assets	**2,170.0**	**2,061.2**	**1,685.4**
Current liabilities	837.7	815.4	570.8
Non-current liabilities	890.5	796.4	965.4
Total liabilities	**1,728.2**	**1,611.8**	**1,536.2**
Total equity	**441.8**	**449.4**	**149.2**

Alternative performance measures

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"). APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

- Adjusted operating profit is results from operating activities before adjusting operating items;
- Adjusted EBITDA further removes depreciation, loss/ (profit) on disposal of fixed assets and amortisation from adjusted operating profit;
- Adjusted EBT is the (loss) / profit before income tax and adjusting items;
- Adjusted EPS is (loss) / profit after income tax before adjusting items, divided by the weighted average number of ordinary shares in issue during the reporting period;
- Net Debt is current and non-current borrowings less cash and cash equivalents, excluding any impacts from IFRS 16;
- Adjusted leverage is the ratio of Net Debt, adjusted for Preference Shares, to last 12 months (LTM) adjusted EBITDA, excluding the £3m benefit from first time adoption of IFRS 16 in Q1 2019